

Scancom Plc FY2024 Results

Current Price: **GHS 3.00**

Current rating **UNDER REVIEW**

Ghana | 04 March 2025

Growth on Speed Dial

Scancom PLC (“MTN Ghana”) released its unaudited FY2024 results on 28 February 2025 and surpassed our expectation by 10.8%, posting a significant 26.3% y/y growth in earnings outturn to GHS 5.0bn. Revenue surged by 34.4% y/y to GHS 17.9bn while EBITDA improved by 31.3% y/y to GHS 10.2bn. As anticipated, MTN Ghana's performance was chiefly bolstered by robust growth in data revenue (+53.8% y/y) to GHS 9.0bn and mobile money revenue (+54.4% y/y) to GHS 4.4bn. In contrast, voice revenue decreased slightly by 0.9% y/y to GHS 3.5bn. Furthermore, the company experienced a 6.5% y/y increase in mobile subscribers to 28.5mn. Also, MTN Ghana successfully expanded its active data and mobile money subscriber base, growing by 13.7% y/y and 12.8% y/y to reach 17.5mn and 17.2mn subscribers, respectively. Amid the macroeconomic headwinds, the company continues to pursue its “Ambition 2025” strategy by investing in the development of its platforms as well as preserving liquidity and strengthening the balance sheet. In our view, the results of this strategy have been impressive so far and we expect the yet-to-be published successor medium-term strategy to consolidate these achievements as “Ambition 2025” draws to a close this year. In the outlook, MTN Ghana maintains its medium-term guidance of high-twenties (in percentage terms) growth in service revenue and we remain confident that the Telecoms giant will continue to out-perform this guidance in the near-term. The current Communications Minister has expressed a differing stance on the application of SMP regulations on MTN Ghana, preferring to deploy the SMP classification as a corrective tool rather than a punitive tool on MTN Ghana. The new approach to the SMP application is expected to adopt a collaborative posture with MTN Ghana, acknowledging the company's investment in network infrastructure. We anticipate the more strategic approach to SMP guidelines to support MTN Ghana's growth momentum. Additionally, we expect the proposed removal of the e-levy by the new Ghanaian administration in 2025 to drive higher digital payment adoption via Mobile Money Limited, bolstering revenue and profitability.

FY2024 Performance: Data and Momo revenue continue to drive topline growth

- Net profit surged by 26.3% y/y to GHS 5.0bn, largely on the back of a significant growth in topline (+34.4% y/y, GHS 17.9bn) and finance income (+29.0% y/y, GHS 372.5mn) alongside a 9.5% y/y decline in finance cost to GHS 701.7mn
- Service revenue increased by 34.5% y/y to GHS 17.9bn, driven primarily by higher data, MoMo and digital revenues. Additionally, service revenue was bolstered by ongoing investments aimed at improving 4G connectivity and a 6.5% y/y increase in the mobile subscriber base.
- Data revenue surged by 53.8% y/y to GHS 9.0bn, supported by 13.7% y/y increase in active data subscribers
- Furthermore, a 35.3% y/y growth in data traffic was underpinned by a 13.7% y/y rise in active data subscribers and a 19.0% y/y increase in MB per active user per month
- Also, mobile money revenue significantly advanced by 54.4% y/y to GHS 4.4bn in FY2024
- The growth in mobile money was supported by a 12.8% y/y increase in active users to 17.2mn, cashout services recorded a strong growth of 45.2% y/y, while P2P grew by 44.6% y/y. Advanced services recorded an impressive 82.8% y/y growth, driven primarily by strong performance in payments and lending products.
- In contrast, voice revenue declined by 0.9% y/y to GHS 3.5bn. Management attributed the decline in voice revenue to a shift from traditional calls to voice over internet protocol (VoIP) services, driven by increased smartphone adoption and data usage. However, the CVM initiatives and other portfolio optimization initiatives supported a 13.5% growth in usage (measured by minutes). The revenue impact of this was tempered by the shift from high effective price per minute to lower effective price propositions.
- Depreciation and amortization increased by 34.3% y/y to GHS 2.3bn during the period, primarily due to a 36.0% y/y growth in property, plant and equipment.
- While finance income increased by 29.0% y/y to GHS 372.5mn from gains on investments in call and fixed-term deposits, finance cost declined by 9.5% y/y to GHS 701.7mn as a result of reduced borrowings and interest rates.
- Additionally, total costs surged by 38.9% y/y to GHS 7.7bn. The growth in total costs was largely driven by macroeconomic factors including high inflation and the depreciation of the local currency, which significantly impacted operating costs such as interconnect and roaming expenses. Additionally, the expiry of the Group management fee license (leading to a 7-month reprieve in management fee payments) for Scancom Ltd in 2023 and the introduction of first-time management fees for Mobile Money Limited in 2024 contributed to the increase.
- Resultantly, EBITDA increased by 31.3% y/y to GHS 10.2bn. However, EBITDA margin declined by 1.38pp to 57.1%
- Overall, net profit margin dropped by 1.81pp to 28.0%

Outlook: Revenue growth and disciplined cost management initiatives to drive bottom-line growth in FY2025.

Network Expansion and Infrastructure Investments

- We expect ongoing investments in 4G network expansion to strengthen service quality, enhance data speed, and drive higher customer adoption. These infrastructure upgrades, coupled with strategic customer experience enhancement initiatives, position the company for sustained revenue growth in the near to medium term. Additionally, improved network reliability and coverage will support increased data consumption, reinforcing topline performance.
- The company invested GHS 4.4bn in total CAPEX during the period and intends to strategically continue investing in CAPEX to maximize long-term shareholder value. We expect this to enable MTN to capitalize on the increasing demand for data by expanding access, particularly in rural areas and by promoting the adoption of smartphones to support sustainable revenue growth and profitability.
- We expect MTN Ghana's collaboration with AT and Telecel on the long-term infrastructure-sharing agreement to optimize capital efficiency, reduce operational costs, and accelerate network expansion. The partnership should improve profitability by lowering maintenance and deployment costs, reinforcing MTN Ghana's ability to capture growing data demand while maintaining competitive pricing.

Strengthening Digital and Financial Services

- We anticipate that MTN Ghana's continued investment in enhancing its myMTN and MoMo applications would drive customer engagement, transaction volumes, and service adoption. Additionally, expanding partnerships with financial institutions, agents, and merchants will further strengthen the MoMo ecosystem. While regulatory challenges remain key risks, effective execution of these strategies will be crucial for sustaining long-term growth in digital and financial services.
- We anticipate that the proposed removal of the e-levy by the new Ghanaian administration in 2025 will serve as a catalyst for increased digital payment adoption through Mobile Money Limited. This policy shift is expected to stimulate transaction volumes, enhance user engagement, and drive higher monetization of MoMo services, ultimately boosting revenue growth and strengthening overall profitability.

Regulatory and Competitive Landscape

- We do not anticipate any major adverse impact from the upcoming SIM re-registration to be initiated by the ministry of communication in collaboration with the MNOs and National Identification Authority (NIA)
- We note that the company exceeded the regulatory requirement of 25% localisation and achieved 30% localisation for Scancom PLC. As a result, the National Communications Authority has confirmed that Scancom PLC has met the localisation requirement for its 4G license
- The minister of communication intends to make more spectrum available for MNOs. As the market leader, we believe MTN is well-positioned to leverage the additional spectrum to strengthen its dominance and expand into rural and underserved areas.
- The current Communications Minister has expressed a differing stance on the application of SMP regulations on MTN Ghana, preferring to deploy the SMP classification as a corrective tool rather than a punitive tool on MTN Ghana. The new approach to the SMP application is expected to adopt a collaborative posture with MTN Ghana, acknowledging the company's investment in network infrastructure. We anticipate the more strategic approach to SMP guidelines to support MTN Ghana's growth momentum

Strategic Outlook Beyond Ambition 2025

- Overall, MTN Ghana remains committed to its Ambition 2025 strategy, focusing on platform development, liquidity preservation, and balance sheet strengthening. In our view, the execution of this strategy has yielded impressive results thus far. As Ambition 2025 nears completion this year, we anticipate that the forthcoming successor medium-term strategy will build on these achievements, ensuring continued financial resilience and strategic growth.

Key risks

- Exchange rate volatility, elevated interest rates, higher energy prices and regulatory risk

Dividend Announcement

- MTN Ghana declared a gross final dividend of GHS 0.24 per share for the FY2024 financial period. This translates to a total dividend of GHS0.305 per share for 2024, representing 80.26% of profit-after-tax and a 35.6% increase in dividend per share when compared to the prior year. The key dates relating to the payment of dividend are as follows:
 - Ex-dividend date – Wednesday, 02 April 2025
 - Qualifying Date – Thursday, 04 April 2025
 - Payment Date – Wednesday, 16 April 2025

Valuation: Under Review

- We are in the process of initiating coverage on MTN Ghana and have therefore placed our recommendation under review
- MTN Ghana is trading at a current P/E of 7.9x and a trailing 12-month P/E of 7.9x
- The large telco is also trading at a current EV/EBITDA multiple of 3.6x and a trailing 12-month EV/EBITDA of 3.8x

Investor Call

- MTN Ghana will be hosting an investor call today, 04 March 2024 at 14h00 GMT to discuss their FY2024 results. Please click [here](#) to register for the call.

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